

Message Text

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43

ACTION XMB-07

INFO OCT-01 EUR-25 ADP-00 EB-11 COME-00 TRSE-00 MC-02

OMB-01 PM-07 CIAE-00 INR-10 NSAE-00 RSC-01 DODE-00

SS-15 RSR-01 NSC-10 /091 W
----- 097424

P R 161530Z JUL 73

FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC PRIORITY 3799

INFO AMEMBASSY LUXEMBOURG

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DEPT PASS EX-IM BANK FOR DON BOSTWICK

E.O. 11652:

LN/A

TAGS: ETRN BEXP IC

SUBJECT: LOFTLEIDIR PURCHASE OF BOEING 747: FINANCIAL SNAGS

REF: REYKJAVIK 0647

1. SUMMARY. WITH LOFTLEIDIR FINALLY COMMITTED TO PURCHASE OF BOEING 747, DEAL HAS NOW BEEN BLOCKED BY GOI DISSATISFACTION OVER FINANCING. GOVERNOR OF CENTRAL BANK NORDAL HAS REQUESTED THAT EX-IM BE INFORMED OF SITUATION AND INDICATION BE SOUGHT AS TO WHETHER EX-IM HAS ANY INTEREST IN FINANCING. END SUMMARY.

2. WITH RECENT SUBMISSION OF REPORT BY MONTREAL CONSULTING FIRM, LOFTLEIDIR HAS DECIDED IN FAVOR OF BOEING 747 AND RULED OUT DOUGLAS AND LOCKHEED ALTERNATIVES. PURCHASE AGREEMENT WAS TENTATIVELY SCHEDULED TO BE SIGNED JULY 13 BUT NORDAL OF CENTRAL BANK HAS RAISED OBJECTIONS OVER FINANCING AND, AT LEAST FOR THE MOMENT, NO DEAL APPEARS LIKELY. BOEING HAS EXTENDED ITS DEADLINE UNTIL JULY 19, AFTER WHICH THEY SAY THAT SPECIALLY CONFIGURED AIRCRAFT NOW UNDER CONSTRUCTION FOR LOFT
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LEIDIR WILL BE CONVERTED FOR SALE ELSEWHERE. BOEING'S ASSISTANT

TREASURER IS EXPECTED HERE JULY 17-18 FOR TALKS WITH LOFT-LEIDIR AND POSSIBLY GOI OFFICIALS.

3. NORDAL INFORMED EMBOFF THAT PROPOSED ARRANGEMENT WITH FIRST NATIONAL BANK OF CHICAGO WAS UNSATISFACTORY. HE EXPRESSED INTEREST IN EX-IM INVOLVEMENT BUT INDICATED GOI WAS PROBABLY NOT IN A POSITION AT THIS TIME TO GUARANTEE SUCH A LOAN (ON THE ORDER OF US\$30 MILLION). NORDAL AGREED WITH OPINION OF LOFT-LEIDIR AND CONSULTANT THAT PURCHASE OF 747 AT THIS TIME WAS THE BEST APPROACH ECONOMICALLY BUT SAID THAT BECAUSE OF PRESENT CIRCUMSTANCES HE WOULD PROBABLY RECOMMEND THAT 747 BE LEASED IN 1974 AND POSSIBLY PURCHASED IN 1975. HE EXPRESSED CONSIDERABLE DOUBT THAT ANY EX-IM FINANCING WOULD BE AVAILABLE WITHOUT GOI GUARANTEE OF SOME SORT BUT ASKED THAT WE EXPLAIN SITUATION TO EX-IM.

4. AS SOME DECISION WILL PROBABLY HAVE TO BE MADE HERE BY COB JULY 18, WE WOULD APPRECIATE EX-IM COMMENTS ASAP TO TRANSMIT TO NORDAL. EMBASSY IS UNABLE TO MAKE ANY RECOMMENDATION IN THIS MATTER AND CAN ONLY TRANSMIT NORDAL'S REQUEST.
IRVING

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